

DEPARTMENT OF HEALTH & HUMAN SERVICES
Health Care Financing Administration

Center for Medicaid and State Operations
Family and Children's Health Programs Group
Division of Integrated Health Systems
7500 Security Boulevard
Baltimore, MD 21244-1850

Mr. Paul R. Perruzzi, Director
Division of Medical Assistance
North Carolina Department of Health and Human Services
1985 Umstead Drive
Post Office Box 29529
Raleigh, North Carolina 27626-0529

Dear Mr. Perruzzi:

I am pleased to inform you that the Health Care Financing Administration (HCFA) is approving North Carolina's request for renewal of its Managed Care Program authorized under section 1915(b)(1) of the Social Security Act (the Act). Specifically, this approval provides for a waiver of the following sections of the Act: 1902(a)(10)(B) Comparability of Services and 1902(a)(23) Freedom of Choice, to permit North Carolina to continue to operate its managed care program. The North Carolina managed care waiver renewal is approved for the counties and programmatic structure it is currently operating (99 counties for Carolina ACCESS and ACCESS II and Mecklenburg County for HealthCare Connection) and covers a period of 2 years, from November 9, 2000 through November 8, 2002.

The decision to approve the waiver renewal is based on evidence submitted to HCFA demonstrating that the State's proposal is consistent with the purpose of the Medicaid Program and will meet all statutory and regulatory requirements for assuring beneficiaries access to care, quality of services, and waiver cost-effectiveness for section 1915(b) waiver programs, and will not restrict family planning or emergency services.

Please note that waiver renewal approval is contingent on the following conditions:

- 1) The State must provide additional cost effectiveness information which takes into account the State's enhanced payments to hospitals in the without-waiver and with-waiver data, to be submitted to HCFA within 60 days of the date of this letter.
- 2) The State will comprehensively identify, or require the Managed Care Organizations (MCOs) to comprehensively identify, the number of children enrolled in each MCO

in Mecklenburg County who are in categories 1, 3, 4, and 5 of the Balanced Budget Act of 1997 (BBA) definition of Children with Special Health Care Needs (CSHCN). These children may be identified either through aid code analysis, or, if necessary, through manual review. The State will submit these data to HCFA on an annual basis.

3) With respect to quality of care, the State will stratify general quality measures such that outcomes for children in categories 1, 3, 4, and 5 of the BBA definition of CSHCN enrolled in the MCOs can be assessed. Or the State may perform a quality study that focuses solely on children in categories 1, 3, 4, and 5 of the BBA definition who are enrolled in the MCOs. This information will be due to HCFA two years from the approval date of this waiver renewal.

4) The State will review complaints and grievances and track those cases involving children identified in categories 1, 3, 4, and 5 of the BBA definition of CSHCN enrolled in the MCOs. (A manual review is acceptable.) On an annual basis, the State will report to HCFA the number of complaints and grievances for this group, and submit an analysis of the type and number of complaints and grievances filed, and information regarding their resolution.

5) Finally, North Carolina will submit to HCFA on an annual basis the number of children identified in categories 1, 3, 4, and 5 of the BBA definition of CSHCN who voluntarily disenroll from MCOs into fee-for-service Medicaid or transfer enrollment from one participating MCO to another, or into the PCCM program.

Unless significant problems are identified in the future, the State will not be required to arrange for an independent assessment in its next renewal request. However, the State will continue to be responsible for documenting the cost effectiveness, access and quality factors in subsequent renewal requests.

If you have any questions regarding this action, please contact Michael McDaniel of HCFA's Atlanta Regional Office, Division of Medicaid and State Operations, at (404) 562-7413. I wish you much success in your continuing activities in this area.

Sincerely,

Mike Fiore
Director

cc: Eugene Grasser, HCFA Atlanta Office
Michael McDaniel, HCFA Atlanta Office